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FISCAL IMPACT STATEMENT

LS 6167
BILL NUMBER: HB 1047

NOTE PREPARED: Mar 31, 2011
BILL AMENDED: Mar 31, 2011

SUBJECT: Developmental Disabilities Matters.

FIRST AUTHOR: Rep. Crouch
FIRST SPONSOR: Sen. C. Lawson

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill has the following provisions:

(1) Changes the definition of "developmental disabilities".
(2) Repeals the Community Residential Council and gives the duties of the Council to the Division of Disability and Rehabilitative Services (DDRS).
(3) Allows for debt owed for services provided under the First Steps Program to be set off against the debtor's tax refund.
(4) Changes the following concerning the First Steps Program: (a) the third-party payor requirements; (b) the copayment structure and amounts; (c) allows the DDRS to require a copayment for only one child per family during a billing period; and (d) specifies when termination of services may take place for nonpayment by families for program services.
(5) Requires certain reports to the DDRS Advisory Council.
(6) Eliminates priority criteria for formal categories for developmental disability waiver slots.
(7) Requires the Office of Medicaid Policy and Planning (OMPP) to apply for federal approval to amend a Medicaid waiver to set an emergency placement priority for certain individuals.
(8) Requires the DDRS to: (a) conduct a study on the number and types of audits and surveys required of entities providing services for which the division pays; and (b) evaluate whether certain providers that have achieved national accreditation should be considered by the division to be accredited for purposes of surveys conducted by state agencies. The bill also requires the DDRS to report back concerning the study to the Developmental Disabilities Commission and the Health Finance Commission by September 1, 2011.

Effective Date: (Amended) Upon passage; July 1, 2011.

<u>Summary of NET State Impact on the First Steps Program:</u> (Revised) The provisions of this bill that affect the First Steps Program are expected to decrease program expenditures by up to $1.2 M within the first year of implementation. The bill is also expected to increase revenue to the First Steps Program by $5 M per year from changes made to third-party liability payments.

<u>Explanation of State Expenditures:</u>

<u>Division of Disability and Rehabilitative Services (DDRS) Study Requirement</u>: The requirements that the Division of Disability and Rehabilitative Services conduct a study of service providers may increase state expenditures with a maximum one-time expense of $25,000.

The bill requires DDRS to conduct the required study of providers in the state and report findings to the Developmental Disabilities Commission and the Health Finance Commission by September 1, 2011. The Family and Social Services Administration (FSSA) reports that the requirements of this bill will require one temporary staff position between the date the bill is enacted and September 1, 2011 (or approximately 1/3 of a fiscal year). Based on the adjusted annual salary of a similar position, it is expected the total maximum expense to the state would be approximately $25,000.

The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations used to either fill a temporary position or contract out the work requirement. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

(Revised) *Repeal of Community Residential Council*: The provisions of the bill that repeal the Community Residential Council and transfer the Council's duties to the DDRS is expected to save the state approximately $4,000 per year on Council expenditures. FSSA reports the responsibilities of the Council are fairly duplicated by the DDRS. Transferring the Council's responsibilities to the DDRS can be performed without additional resources or appropriations.

However, the bill does add reporting requirements to tasks formerly performed by the Community Residential Council. Under the bill, beginning July of 2012, the DDRS would be required to annually report to the Division of Disability and Rehabilitative Services Advisory Council (1) the current projected needs of each geographic area in Indiana for residential services and (2) how the provision of developmental and vocational services for these residents affects the availability of services for individuals with developmental disabilities living in their homes. The bill also adds that the DDRS is required to quarterly report specific information to the Advisory Council related to Medicaid waivers. The FSSA reports they do not anticipate any additional costs to meet the reporting requirements included in the bill.

(Revised) *Developmental Disability Waiver Slots*: The bill will also increase the workload of OMPP by requiring OMPP to petition the U.S. Department of Health and Human Services to amend a waiver to set an emergency placement priority for individuals in certain situations.

(Revised) *<u>First Steps Program Changes</u>*:

Maximum Monthly Cost Share: The bill removes the maximum level of monthly cost share for the First Steps Program. The FSSA estimates this provision is expected to reduce the demand for First Steps Program services by families having to provide additional copayments for services above the current maximum monthly cost share (which is currently eight times greater than the copayment for a one-hour treatment unit). This change is estimated to save the state a maximum of approximately $1.2 M within the first year of implementation. Actual cost savings will depend on the following: (1) the extent families elect to request services above the maximum monthly cost share and (2) the copayments paid by families who request services above the former maximum monthly cost share.

Third-Party Liability Payments: The bill changes language regarding third-party liability (TPL) plans for the First Steps Program. FSSA reports these changes will significantly decrease administrative time that is required to submit numerous requests for reimbursement to TPL payors.

According to FSSA, the process to submit individual child service claims for reimbursement to insurance plans is a cumbersome process and often requires frequent contact with TPL payors to collect payments. FSSA reports that in many instances, prior authorization or in-network requirements apply, which prohibit the state from receiving funding for First Steps services. FSSA reports these difficulties have resulted in a low rate of payment for services from children with private insurance and high administrative costs to collect TPL payments.

<u>*Additional Information*</u>: The definition of "developmental disability" is being amended in Indiana Code to more closely match the federal definition. This impact is not intended to have any repercussions on federal reimbursement or restrictions on eligibility for programs and services.

<u>Explanation of State Revenues:</u> (Revised) <u>*First Steps Program Changes*</u>:

Third-Party Liability Payments: FSSA reports the changes in the bill will allow the administration to increase revenue the state receives from TPL payors through a capitated rate or monthly fee for First Steps services. FSSA estimates that with the implementation of capitated rates, state revenue from TPL payment for First Steps services will increase by $5 M per year.

Copayment Per Unit of Treatment Changes: The bill changes the unit of treatment from hourly increments to 15-minute increments. FSSA reports First Steps Program services are currently billed in quarter-hour increments.

The bill also changes the copayment amount paid by families who have incomes greater than 250% of the federal poverty level (FPL). The changes made to the copayment per unit of treatment are the equivalent of the former hourly copayment per unit of treatment with the following exceptions: (1) the copayment for families between 651% and 750% of the FPL (the bill increases the copayment by $2 per hour of treatment), (2) the copayment for families between 751% and 850% of the FPL (the bill increases the copayment by $1 per hour of treatment), and (3) the copayments made by families who have incomes greater than 1,001% of the FPL (the bill reduces the copayment by $20 per hour of treatment). The FSSA reports approximately 34% of the families who receive First Steps Program services have copayments for services. These changes to the copayment per unit of treatment are expected to increase revenue to the First Steps Program by approximately $120,000 per year.

Billing One Child Per Household: The bill specifies that a cost participation plan used for the First Steps Program may allow the DDRS to require a copayment for only one child per family during a billing period. The FSSA reports this change is expected to decrease revenue to the First Steps Program by approximately $100,000 per year.

State Tax Intercept: The bill allows the Division of Mental Health and Addiction (DMHA), the Indiana State Department of Health (ISDH), the Division of Family Resources (DFR), the DDRS, the Department of Education (DOE), and the Department of Child Services (DCS) to request the Department of State Revenue (DOR) set off a person's state tax refund if this individual owes one of these agencies a certified delinquent debt for services provided under the First Steps Program. Under the bill, the DOR is entitled to withhold 15% of the total amount intercepted by the DOR. This process may increase revenue received by agencies that provide First Steps services as well as revenue received by the DOR. The actual increase in revenue is indeterminable; however, the FSSA estimates this provision may increase revenue received from state tax intercepts by at most $200,000 annually.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: FSSA; ISDH; DOE; DOR.

Local Agencies Affected:

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